



Petroleum Market Report

November 1, 1999

Energy Information Administration
Office of Oil & Gas

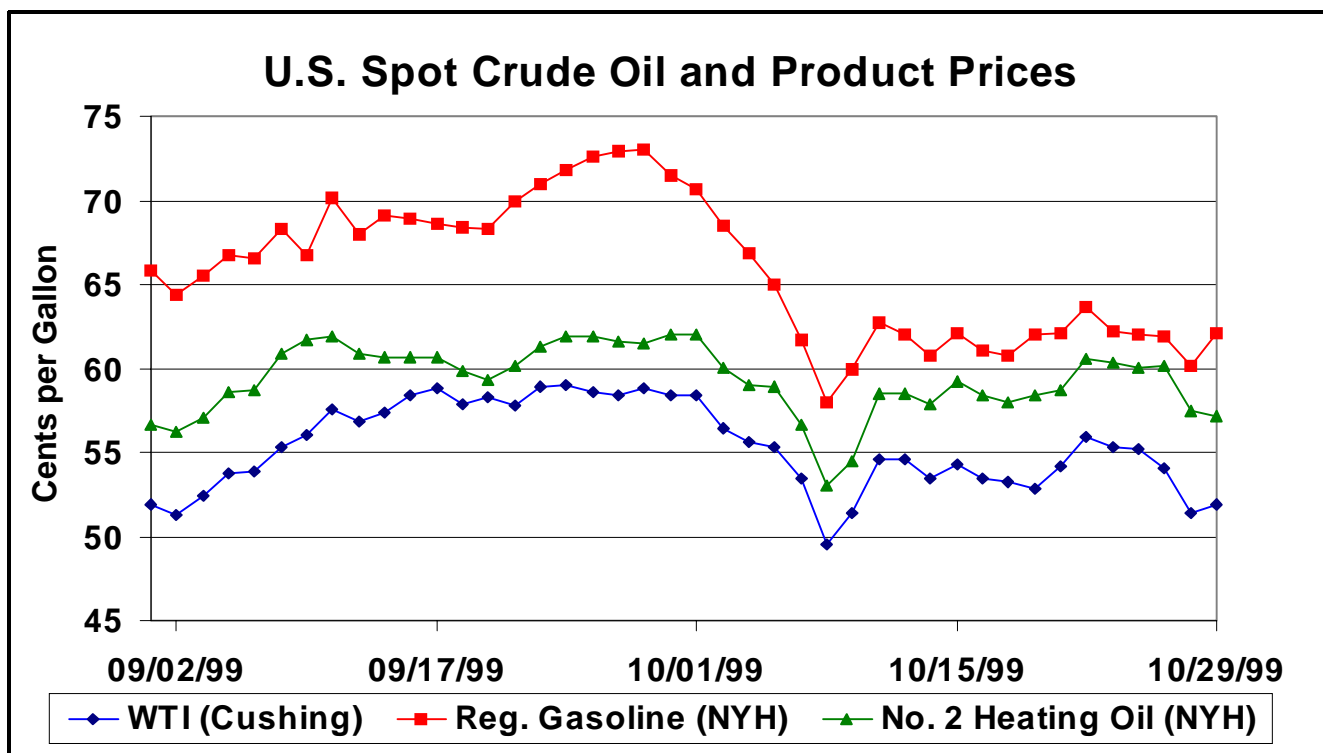
MARKET SUMMARY

Petroleum spot and futures prices on U.S. markets moved lower last week, in the absence of any fundamental support to maintain the gains of the previous two weeks. The only bullish market sentiment came from statements by officials of several smaller producing countries, echoing earlier comments by major producers regarding the need to maintain current output cuts at least through March 2000. Downward pressure derived from more tangible influences, including a second consecutive weekly crude oil stockbuild and the restarting of production from a major North Sea oilfield.

Crude oil - prices fell back after the previous week's brief rise to the highest level since early October. The week started out listless, with WTI posting slight losses, but remaining over \$23 per barrel through Tuesday. Downward momentum gathered on Wednesday, fed by a 3.4-million-barrel API stockbuild, then strengthened on Thursday, with further pressure from the return of Ekofisk production in the North Sea following a gas leak the week before. The only gain of the week came on Friday, as prices moved slightly higher after losing nearly \$2 per barrel through Thursday.

Gasoline - posted much smaller losses for the week than crude, largely due to a solid recovery on Friday. Early-week declines were muted by an unexpected U.S. stockdraw for the week ending October 22, though inventories remained in the middle of their seasonal range. A two-week maintenance shutdown of Exxon's Baytown cat cracker and NYMEX November contract expiration sent prices up nearly 2 cents on Friday, erasing Thursday's crude-driven losses.

Distillate - prices closely followed those for crude oil, despite a solid stockdraw and NYMEX contract expiration. Inventories stand 9 million barrels lower than a year ago, but near seasonal norms.



CHRONOLOGY OF RECENT MARKET EVENTS

- 10/29 - mixed** - crude oil and gasoline prices rose, for the only significant daily gains of the week, but distillate prices again finished lower. Pre-weekend shortcovering and a correction to Thursday's decline were cited, along with maintenance at Exxon's Baytown cat cracker and expiration of NYMEX December product contracts at the close.
- 10/28 - falling** - spot and futures prices fell sharply, dropping WTI crude oil to its lowest level since October 11. Losses were largely ascribed to technical factors, with no change in fundamentals to drive the selloff. NYMEX November product contract expiration on Friday was also an influence.
- 10/27 - mixed** - crude oil prices fell for the third straight day, while most products were slightly higher, generally reflecting stock changes in the weekly API and EIA supply reports. News that a North Sea field could restart today following last week's gas leak added downward pressure on crude.
- 10/26 - falling** - prices fell slightly marketwide for a second day, amid expectations that the weekly API and EIA supply reports would show small builds in both crude oil and the major products. Algeria and Oman were added to the list of producers commenting in favor of continued output cuts.
- 10/25 - falling** - crude and product prices eased across the board, falling back from Friday's rise to the highest levels since early October. Markets were listless in the absence of significant news, although Qatar's oil minister echoed others' comments that production increases were not warranted.
- 10/22 - rising** - all prices rose for a second day, pushing WTI spot and futures over \$23 per barrel for the first time in over two weeks, on expanding producer support for extending output cuts. Additional support came from the weather-related closing of another Mexican port, and from the shutdown of a North Sea oilfield due to a gas leak.
- 10/21 - rising** - prices closed higher marketwide, despite late profit-taking, amid further statements from producing countries on extending output cuts through the second quarter of 2000. Two Mexican oil ports remained closed for a third day due to bad weather.
- 10/20 - mixed** - crude oil spot and expiring November NYMEX futures prices eased slightly, while products finished higher, both impacted by the weekly API and EIA supply reports. Crude futures for December and beyond rose, supported by a statement from the Saudi Arabian oil minister that producers could continue current output levels beyond March 2000 if conditions warrant.
- 10/19 - falling** - spot and futures prices fell modestly ahead of the weekly API and EIA supply reports and Wednesday expiration of the November NYMEX crude oil futures contract. Expectations of a crude oil stockbuild overshadowed support from a reported meeting including OPEC and Mexican oil officials in Amsterdam.
- 10/18 - falling** - all prices ended lower, largely reversing Friday's increases, despite a lack of significant news. NYMEX crude oil prices briefly exceeded \$23 per barrel, before falling back in profit-taking. Marathon Ashland announced the restart of its Minnesota refinery after a month-long maintenance shutdown.